



Himax Technologies, Inc. Q1 2021 Unaudited Financials and Investor Update Call

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Operator: Opening and standard introduction.

Mark Schwalenberg: Welcome everyone to Himax's First Quarter 2021 Earnings Call. Joining us from the Company are Mr. Jordan Wu, President and Chief Executive Officer; Ms. Jessica Pan, Chief Financial Officer and Mr. Eric Li, Chief IR/PR Officer. After the Company's prepared comments, we

have allocated time for questions in a Q&A session. If you have not yet received a copy of today's results release, please email HIMX@mzgroup.us, access the press release on financial portals or download a copy from Himax's website at www.himax.com.tw.

Before we begin the formal remarks, I'd like to remind everyone that some of the statements in this conference call, including statements regarding expected future financial results and industry growth, are forward-looking statements that involve a number of risks and uncertainties that could cause actual events or results to differ materially from those described in this conference call. Factors that could cause actual events or results to differ materially from those described in this conference call include, but are not limited to, the effect of the Covid-19 pandemic on the Company's business; general business and economic conditions and the state of the semiconductor industry; market acceptance and competitiveness of the driver and non-driver products developed by the Company; demand for end-use applications products; reliance on a small group of principal customers; the uncertainty of continued success in technological innovations; our ability to develop and protect our intellectual property; pricing pressures including declines in average selling prices; changes in customer order patterns; changes in estimated full-year effective tax rate; shortage in supply of key components; changes in environmental laws and regulations; changes in export license regulated by Export Administration Regulations (EAR); exchange rate fluctuations; regulatory approvals for further investments in our subsidiaries; our ability to collect accounts receivable and manage inventory and other risks described from time to time in the Company's SEC filings, including those risks identified in the section entitled "Risk Factors" in its Form 20-F for the year ended December 31, 2020 filed with the SEC, as may be amended.

Except for the Company's full year of 2020 financials, which were provided in the Company's 20-F and filed with the SEC on March 31, 2021, the financial information included in this conference call is

unaudited and consolidated and prepared in accordance with IFRS accounting. Such financial information is generated internally and has not been subjected to the same review and scrutiny, including internal auditing procedures and external audits by an independent auditor, to which we subject our annual consolidated financial statements, and may vary materially from the audited consolidated financial information for the same period. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

I will now turn the call over to Mr. Eric Li. The floor is yours.

Q1 Results

Mr. Eric Li: Thank you Mark and thank you everybody for joining us. My name is Eric Li and I am the Chief IR/PR Officer. Joining me are Jordan Wu, our CEO, and Jessica Pan, our CFO. On today's call, I will first review the Himax consolidated financial performance for the first quarter 2021, followed by the second quarter 2021 outlook. Jordan will then give an update on the status of our business, after which we will take questions. We will review our financials on both IFRS and non-IFRS basis. The non-IFRS financials exclude share-based compensation and acquisition-related charges.

We pre-announced preliminary key financial results for the first quarter 2021 on April 7 as revenues, gross margin and EPS all exceeded the guidance issued on February 4, 2021. Today, our reported results for revenues, gross margin and EPS are all in line with the pre-announced results. Revenues, gross margin and EPS all reached all-time highs in the first quarter of 2021.

For the first quarter, we recorded net revenues of \$309.0 million, an increase of 12.1% sequentially and an increase of 67.4% compared to the same period last year. The 12.1% sequential increase of revenues exceeded our guidance of an increase of around 5-10% quarter-over-quarter, with strong demands across all of our major business segments. Gross margin was 40.2%, exceeding guidance of 37% to 38%, and significantly improved from the 31.2% of the fourth quarter 2020. IFRS profit per diluted ADS was 38.3 cents, exceeding our guidance of 30.0 cents to 34.0 cents. Strong sales and improved gross margin contributed to the better-than-expected earnings results. Non-IFRS profit per diluted ADS was 38.4 cents, exceeding our guidance of 30.1 cents to 34.1 cents.

Revenue from large display drivers was \$69.9 million, up 8.8% sequentially and up 13.9% year-over-year. Notebook revenue increased more than 70% sequentially, driven by unceasing remote working and distance education demands. TV revenue was also up by around 8% quarter-over-quarter. Monitor IC sales, however, decreased sequentially due to foundry capacity shortage, as we predicted in the last earnings call. Large panel driver ICs accounted for 22.6% of total revenues for this quarter, compared to 23.3% in the fourth quarter of 2020 and 33.2% a year ago.

Small and medium-sized display drivers continued to grow in the first quarter and came in better-than-expected, with revenue of \$204.1 million, up 14.7% sequentially and up 133.3% year-over-year. TDDI for both smartphone and tablet saw robust growth in Q1, a continuation from the high base in Q4 last year. From a year-over-year perspective, sales of both smartphone and tablet demonstrated massive growth. For automotive segment, we delivered a decent mid-teens sequential growth amidst a severe capacity shortage in the automotive market worldwide. Small and medium-sized segment accounted for 66.1% of total sales for the quarter, compared to 64.5% in the fourth quarter of 2020 and 47.4% a year ago.

Smartphone sales continued growing in the first quarter, with revenue reaching \$80.2 million, up 20.6% sequentially and up 256.4% year-over-year. The smartphone segment represented 26.0% of our total sales in Q1. Our smartphone TDDI sales increased more than 30% sequentially and up five times compared to the same period last year, indicating strong market demand and our market share gains. Sales of traditional smartphone DDICs continued to decline as expected. As previously mentioned, traditional smartphone DDICs are quickly being replaced by TDDI and AMOLED.

Our tablet revenue reached another record high of \$73.0 million in the first quarter. Q1 sales of tablet drivers grew 8.3% sequentially and were up more than 150% year-over-year as strong demand for home working and online learning continued. The tablet revenue accounted for more than 23% of our total sales in the first quarter. The tablet TDDI revenue increased 10% sequentially, the fourth consecutive quarter of growth since its initial mass production in the first quarter of 2020. The sequential growth was due to the accelerated penetration of our leading tablet TDDI in the Android market where we are the main or sole source supplier to major end customers. Revenue of traditional discrete driver ICs for tablet increased 5.9% sequentially and grew 58.9% year-over-year in the first quarter.

Our first quarter driver IC revenue for automotive amounted to \$43.7 million, up 16.4% sequentially and up 44.3% year-over-year. Automotive driver IC business accounted for more than 14% of total revenues in this quarter. Notwithstanding the decent growth, we are still suffering from severe foundry capacity shortage for automotive applications. While the shortage is expected to persist, as indicated in the last earnings call, we do expect to enlarge our shipment quarter by quarter this year and beyond into next year. Jordan will elaborate on this in a few minutes.

First quarter revenue from our non-driver businesses was \$35.0 million, up 4.0% sequentially but down 2.0% year-over-year. The sequential increase was mainly due to the increase of WLO shipments to an anchor customer for continuous legacy products demand as well as more Tcon shipments. The year-over-year decrease was due mainly to the decrease of WLO shipments. However, Tcon and CMOS image sensor segments both registered an impressive year-over-year growth, up by more than 50% and 70%, respectively. Non-driver products accounted for 11.3% of total revenue, as compared to 12.2% in the fourth quarter of 2020 and 19.4% a year ago.

Gross margin for the first quarter was 40.2%, up 9.0 percentage points sequentially and up 17.5 percentage points from the same period last year. As the capacity shortage in the semiconductor industry intensified across foundry, packaging and testing, we further optimized our product mix by strategically favoring more high margin products while pricing our products higher to reflect rising costs among all product segments. However, on a year-over-year basis, the leap of gross margin was somewhat offset by the decline in WLO shipment, as the legacy product to an anchor customer gradually decreased.

Our IFRS operating expenses were \$39.5 million in the first quarter, down 9.9% from the preceding quarter but up 5.9% from a year ago. The operating expenses decreased sequentially because of a one-time cash bonus issued to the team in the fourth quarter 2020. The year-over-year increase was mainly a result of increased salary. Non-IFRS operating expenses for the first quarter were \$39.2 million, down 9.9% from the previous quarter and up 6.9% from the same quarter in 2020.

Reflecting higher sales and better gross margin, IFRS operating income was \$84.8 million for the first quarter with operating margin of 27.4%, up from 15.3% in the prior quarter and up from 2.5% in the same period last year. First quarter non-IFRS operating income was \$85.1 million, or 27.5% of sales, higher from \$42.5 million, or 15.4% of sales last quarter and up from \$5.3 million, or 2.9% of sales for the same period last year. Both operating income and operating margin reached record highs.

IFRS after-tax profit for the first quarter reached a historical high of \$66.9 million, or 38.3 cents per diluted ADS, compared to \$34.0 million, or 19.5 cents per diluted ADS, in the previous quarter and \$3.3 million, or 1.9 cents per diluted ADS, a year ago. First quarter non-IFRS profit was \$67.1 million, or 38.4 cents per diluted ADS, compared to non-IFRS profit of \$34.2 million, or 19.7 cents per diluted ADS last quarter and non-IFRS profit of \$3.8 million, or 2.2 cents per diluted ADS for the same period last year.

Turning to the balance sheet, we had \$245.8 million of cash, cash equivalents and other financial assets as of March 31, 2021, compared to \$126.6 million at the same time last year and \$201.4 million a quarter ago. The higher cash balance was derived mainly from \$60.3 million of operating cash inflow during the quarter. Restricted cash was \$114.8 million at the end of Q1, compared to \$104 million a quarter ago and \$164 million a year ago. The restricted cash was mainly used to guarantee the short-term secured borrowings for the same amount. We had \$57.0 million of long-term unsecured loans as of the end of Q1, of which \$6.0 million was current portion.

Our quarter-end inventories as of March 31, 2021 were \$114.9 million, up from \$108.7 million last quarter and down from \$148.4 million a year ago. The year-over-year decrease was a reflection of the severe supply-demand imbalance. To be more precise, the vast majority of our inventory position now is comprised of work-in-process goods, while finished goods are mostly taken up by customers

as soon as they are available to meet the customer's immediate production needs. As highlighted in the last earnings calls, given the foundry and backend capacity shortage, our inventory level may still stay at a relatively low level in the quarters to come. Accounts receivable at the end of March 2021 was \$289.1 million, up from \$243.6 million last quarter and up from \$186.7 million a year ago due to higher sales. DSO was 84 days at the quarter end, as compared to 92 days a year ago and 100 days at the end of the last quarter.

Net cash inflow from operating activities for the first quarter amounted to \$60.3 million as compared to an inflow of \$67.7 million last quarter and an inflow of \$10.6 million for the same period last year. First quarter capital expenditures were \$2.0 million, versus \$0.8 million last quarter and \$3.1 million a year ago. The first quarter capex was mainly for R&D related equipment of our IC design business.

As of March 31, 2021, Himax had 174.3 million ADS outstanding, little changed from last quarter. On a fully diluted basis, the total number of ADS outstanding was 174.7 million.

Q2 2021 Guidance:

Now, turning to our second quarter 2021 guidance. For the second quarter, we expect further revenue growth from the already high level of Q1 2021 in most of our business sectors. Gross margin shall see another uptick and could reach another quarterly high.

For the second quarter, we expect revenues to increase by 15% to 20% sequentially. Gross margin is expected to be 45.5% to 47.5%, depending on the final product mix.

With the increase of both revenue and margin, net profit shall increase substantially in the second quarter. IFRS profit attributable to shareholders is expected to be in the range of 54.0 to 60.0 cents

per fully diluted ADS. Non-IFRS profit attributable to shareholders is expected to be in the range of 54.2 to 60.2 cents per fully diluted ADS.

I will now turn the call over to Jordan. Jordan, the floor is yours.

Q2 2021 Outlook:

Mr. Jordan Wu: Thank you, Eric. We are still seeing a serious supply-demand imbalance where demand far outpaces supply despite foundries running at more than 100% capacity. Accompanying the rapid growth of 5G and high-performance computing, there is a noticeable increase in demand for semiconductor for advanced processes. The trend towards an ever more connected digital world also drives higher needs for mature nodes, notably demands from display driver IC, power management IC, CMOS image sensor, automotive industry and various AIoT devices that are already all around us and still increasing rapidly in number. Adding these all up, what we have is a structural shift in demand and supply dynamics, especially for the mature nodes which have lacked meaningful capacity expansion for many years.

As I mentioned on our last earnings call, we have managed to secure more capacity for this year compared to last year, with accessible capacity expected to grow quarter by quarter during 2021. Looking further ahead, we are taking measures to work with our strategic foundry partners to further enlarge our longer-term capacity pool. We will give more details as they come about.

Separately, taking advantage of the current favorable environment, we are also making efforts to reposition ourselves toward higher-end and higher value-added products by working more directly and closely with select leading end customers. We have made tremendous progress across various

industries that we serve. For large display areas, we are pleased with the results so far in switching our focus more toward high-resolution TV, high-performance monitor and low-power notebook. For smartphone, wearable and tablet, we are gearing up for the AMOLED driver IC development in partnership with strategic customers and foundry providers. For automotive market where we are already the leader in display driver IC, we are deepening our working relationships with tier-1 players and end customers across all major markets. Last but not least, in our non-driver areas, we are pushing hard for the promotion of WiseEye ultralow power AI sensing solution which have seen widespread adoption for numerous AIoT applications. Our 3D decoder IC is also already ramping in volume. I will elaborate on this in a few minutes.

Display Driver IC Businesses

LDDIC

Now let us start with an update on the large panel driver IC business. For the second quarter, we expect large display driver IC revenue to increase by around 20% sequentially with the three major product lines all set for further growth. We expect decent increase in both monitor and notebook IC sales in Q2 thanks to persisting work-from-home and learn-from home demands. For the TV IC segment, we anticipate an impressive quarterly growth in Q2, mainly due to shipments of high-end TV products going into a world leading end customer, an illustration of the strategy toward high-end products and leading end customers that I just mentioned. Nevertheless, our shipping quantity is constrained by capacity shortage for the large panel driver IC business during the second quarter.

Recently, we saw strong customer demand for high-end monitors unfolding post pandemic. When people work, study and play games at home, which they do much more than before, they are demanding higher resolution, higher frame rate, ultrawide aspect, curved view and even multiple monitors sometimes. Himax continues to lead the high-end monitor market by providing advanced driver ICs and Tcons in partnership with leading panel makers and end customers.

SMDDIC

Now let's turn to the small and medium-sized display driver IC business. In the second quarter, we see continuous strong demands for all three segments, namely smartphone, tablet and automotive. Again, we are unable to meet all customer demands due to tight foundry capacity. As the leading supplier for the Android tablet market, we are strategically allocating capacity in favor of tablet over smartphone to support the needs for home working and remote learning. For the second quarter, we expect tablet sales to grow by mid-teens and smartphone sales to be flattish compared to the previous quarter, reflecting our capacity allocation decision. With enlarged capacity as we indicated in the last earnings call, automotive driver business is expected to grow by more than 20%, the highest among the three segments in the small and medium-sized driver IC business.

Tablet, already among our top sales contributors since 2020, continues to grow with accelerated TDDI penetration among leading Android names as well as strong demand driven by the stay-at-home economy. For the second quarter, we expect tablet TDDI sales to grow by more than 20% as our tablet customers are accelerating adoption of TDDI. TDDI for high-end tablet enjoys particularly good momentum as people crave for more advanced features such as higher frame rate, higher resolution,

larger screen size, and active stylus for better-quality handwriting and drawing. All these trends benefit us for higher ASP and growing market share. Again, tablet TDDI enjoys better margin and its rapid growth helps enhance our overall gross margin. Finally, for tablet product, revenue of traditional DDIC is expected to remain flat sequentially during the second quarter.

Next a quick update on smartphone products, while customers are demanding more shipments, limited by severe capacity constraint, our smartphone TDDI sales are expected to be flat from the last quarter. Discrete drivers for smartphone, running at relatively low volume, are expected to grow strongly with seasonal demand for the second quarter. As we have mentioned, DDICs of both smartphone and tablet are in a downward trend as they are being replaced by TDDI.

Turning to the automotive sector. It's been well reported that the automotive industry worldwide has recovered strongly and abruptly from its earlier slump starting later last year but also suffered from severe shortage of semiconductor supply. We have been experiencing the same for the display driver ICs we provide for automotive applications where we command a world-leading market share of well more than 30%. As the ongoing capacity shortage continues to intensify, panel makers, tier 1 suppliers and end customers seek out Himax for more supply of automotive display driver ICs. Having foreseen the growing automotive display demand and the capacity shortage, we engaged early and have secured a meaningful increase in capacity for this year and longer term. We expect the Q2 sales into automotive industry to grow more than 20% sequentially, which would represent more than 100% growth year over year. Notwithstanding the impressive growth, the demand still far outpaces the foundry capacity accessible to us.

Along with the fast growing electric vehicles and autonomous driving that is deemed to be the “next big thing”, car interior is catering to better human-vehicle interaction with ever more stylish designs, made possible with increasing number of panels equipped with advanced display technologies such as TDDI and local dimming. As the market leader in automotive display driver business, we are leading the charge in answering to such demands. For instance, we dominate the design-in and design-win of automotive TDDI with direct and indirect customers across the continents for a technology that is essential for very large sized, stylish, and free-formed automotive displays. We are also leading in the up-and-coming local dimming technology which not only provides effective power saving, critical for EVs, but also enhances display contrast for better viewing under bright daylight. In addition, our high-speed P2P bridge and LTDI solutions are specially designed for very large panels up to a pillar-to-pillar display size. With these new demands unleashed for advanced display technologies, we expect exponential sales growth of automotive sector in the years to come.

Next an update on AMOLED. As AMOLED offers better display quality, lower power consumption and plastic free form design, the technology has gained traction in the high-end market. As stated before, Himax is highly committed to AMOLED technology where our development started from smartphone, and has extended to wearable, tablet and automotive. In March we teamed up with BOE Varitronix (BOEVx), a world leading supplier of automotive display products, and succeeded in securing an AMOLED display design-win with a leading EV maker for its upcoming flagship model. Armed with Himax AMOLED driver IC and timing controller solution, Himax and BOEVx partnered to offer flexible AMOLED automotive display, firstly over a 12.8-inch Center Information Display product. Small volume shipment is anticipated starting the fourth quarter of 2021. For other AMOLED applications, we are continuing our development efforts by proactively working with leading Chinese panel makers and strategic foundry partners. We will report further progress in due course. We believe AMOLED

driver IC will soon become one of the major growth drivers for our small and medium-sized panel driver IC business.

For the second quarter, revenue for the small and medium-sized driver IC business is expected to increase by low teens sequentially with demand much higher than supply. Capacity shortage is expected to continue across all business segments in this area.

Non-Driver Product Categories

Now let me share some of the progress we made on the non-driver IC businesses in the last quarter.

TCON

First on timing controller. For the second quarter, we expect Tcon sales to increase more than 60% sequentially as we successfully acquired more capacity for both foundry and backend. Backed by several recent major Tcon design-wins from leading end customers for gaming monitor, low power notebook and 8K/4K TV, our Tcon product line is on track for further growth. It is worth mentioning that we have a dominant global market share for 8K TV Tcon with adoption from literally all major TV brands. With better ASP and margin than those of display drivers, Tcon is expected to be an extensive long-term growth area and contribute more to the top and bottom line growth going forward. Similar to all our display driver IC businesses, our Tcon volume is also capped by capacity shortage, both foundry and backend packaging.

WLO

Next is a quick update on WLO. WLO revenue increased substantially in the first quarter thanks to resumed orders from an anchor customer for its legacy products. In the second quarter of 2021, WLO sales are expected to remain flat quarter-over-quarter which will help sustain WLO factory utilization.

Meanwhile, we continue to collaborate with key customers and partners for new applications such as ToF 3D sensing, AR/VR gadgets, biomedical devices and others, targeting their future generation products.

Himax is a pioneer in high-precision diffraction optics technology with 15 years of experience under our belt, having worked on very different designs over a variety of applications with some of the world's most heavyweight tech names. The diffractive optical element (DOE) enables the manipulation of phase, shape, direction and even power of incident laser light for the output of specific, pre-designed optical pattern and functions that are not feasible in standard refractive optics. The diffraction optics technology is now well adopted in 3D sensing, AR/VR devices, holographic display, biomedical inspection, optical communication, etc. We are seeing DOE plays an even more decisive role for the next generation optical technology in light of its high-precision and lightweight characteristics.

In addition to WLO that is suitable for small electronic devices such as wearable and portable products, we have extended our reach in diffraction optics technology to cover large-sized applications. In October 2020, we made a strategic cash investment and became the controlling shareholder of CM Visual Technology Corp. (CMVT), which is specialized in microstructure optical film design and

manufacturing and is a world leader in its area. CMVT offers proprietary microstructure optical design expertise, nano-scale mold engraving capability as well as roll-to-roll nanoimprinting manufacturing capacity. CMVT's roller-type nanoimprinting can support the production of large-sized film with superior production efficiency at competitive costs. This is a complementary technology to our WLO technology and, by having both teams work together, we can now deliver cutting-edge solutions for different applications covering all sizes of optics. Omniwide Film™, CMVT's microstructure optical film, is the best answer to various types of optical challenges, such as gray level inversion, color wash-out, and light leakage under oblique viewing angles for better visual experience. The Omniwide Film™ solution can support different types of display, including TN, VA, IPS types of TFT-LCD displays and AMOLED display. These solutions are all available to the market right now.

3D Sensing

Next on 3D sensing update for non-smartphone segment. As reported in previous earnings call, our proprietary 3D decoder IC provides superior 3D depth map decoding for best-in-class secure face recognition and has been widely adopted by leading Chinese customers for e-payment device. We started volume shipment of the 3D decoder in the fourth quarter of 2020 and expect continuous growth in 2021.

Ultralow power smart sensing

Now switching gears to the WiseEye smart sensing solution. To maximize market visibility and explore potential applications, we continue to push forward with two WiseEye business models, namely total solution and discrete component.

For the WiseEye total solution model where we are the owner of the solution, we integrate our proprietary AI processor and CMOS image sensor, both with an outstanding ultralow power characteristic, with AI algorithms from multiple third-party software partners. These algorithm partners, which include our subsidiary Emza, come from different countries and many have special domain knowhow catering for the needs of specific markets. We mentioned notebook, TV and air conditioner in the last earnings call as early examples of our total solution approach. I am pleased to report that recently we were officially awarded a sizable purchase order from a top tier household name for a mainstream application with mass production scheduled to commence at the fourth quarter of this year. This early success marked a major milestone for our WiseEye product line which we believe will be a major growth engine for our business for many years.

We are also encouraged by the progress of customer engagements for the new applications we launched covering automotive, panoramic video conferencing, utilities meter, QR code reader, doorbell, and door lock. All these applications offer always-on and/or ultralow power AI visual sensing that are made possible by our WiseEye technology. The list of applications for our WiseEye total solution will continue to expand as we continue to reach out to key players in various industries while working closely with our algorithm partners.

For the key component business model where we offer AI processor and/or always-on CMOS image sensor but without AI algorithm, we continue to collaborate with global AI and cloud service partners by proactively participating in their ecosystems and infrastructures. Following the successful adoption of our WE-I Plus AI processor in the Google TensorFlow Lite for Microcontrollers framework (TFLu), in March 2021, our WE-I Plus AIoT platform was endorsed by Microsoft and was awarded the Azure IoT PnP certificate. Our WE-I Plus AIoT platform brings reliable, secure and long battery life edge AI to the IoT-connected cloud market. WE-I Plus AIoT platform can conduct person, face or object

detection computer-vision functions and then output only secured metadata over NB-IoT protocol to the Azure IoT cloud for further statistical data processing and analysis. In most cases, the WE-I Plus AIoT platform can operate with just 4 AA batteries for more than one-year lifetime. WE-I Plus is the best ultralow power battery powered edge AIoT platform solution in the Azure IoT which targets ever-growing cloud service markets in smart buildings, manufacturing, retail, agriculture, etc. Implementing AI everywhere is made possible with our WE-I Plus.

In the meantime, we continued to showcase our WE-I Plus enabled systems jointly with our ecosystem partners such as SparkFun and Edge Impulse, in various webinar and marketing events to illustrate more AI use cases. People from different industries and countries approached us and applied our solutions to many applications that never occurred to us. We are encouraged by the enthusiastic market feedback along with streams of end customers inquiries. In return, we provide AI developers with comprehensive supporting service where they could easily access open source codes from Google TFLu, WE-I Plus EVK and sensor accessories from SparkFun and development tools from Edge Impulse. We are delighted to bridge AI developers over the hurdles they encounter in developing their AI solutions and move with AI developers together towards an upcoming edge AI decade.

CMOS Image Sensor

Now turning to our CMOS image sensor business update. In the second quarter, the CIS revenue is expected to be flattish sequentially. Our shipment has been badly capped by the foundry capacity available to us despite surging customer demands for our CMOS image sensors for web camera and notebook. Nevertheless, we expect a decent growth in second half of 2021 thanks to a major engagement from a major existing customer.

Our industry-first 2-in-1 CMOS image sensor supporting video conferencing and AI facial recognition on ultralow power has been designed into some of the most stylish, slim bezel notebook models of certain major notebook names. Small volume production has started in the fourth quarter of last year. Meaningful ramp-up volume is expected for the coming quarters.

Regarding ultralow power always-on CMOS image sensor that targets always-on AI applications, we are getting growing feedback and design adoptions from customers globally for various markets, such as car recorders, surveillance, smart electric meters, drones, smart home appliances, and consumer electronics. We will report the progress in due course.

LCoS

Last on the update of LCoS microdisplay. In the first quarter of 2021, our proprietary front-lit LCoS microdisplay, an integrated solution covering LCoS microdisplay, lightguide, and front-lit LED, had a successful design-win with a world-leading player for rugged headset for industrial working environment. It is an assisted-reality type hand-free head-mounted device, where our front-lit LCoS microdisplay module provides a 7-inch display view below line of sight to assist workers to access real time working information. Our front-lit LCoS microdisplay demonstrated a perfect match with customer's application in compact form factor, low power consumption and higher brightness. We are collaborating closely with the customer for the strict industrial level qualification and expect substantial volume shipment starting from the third quarter of this year.

For non-driver IC business, we expect revenue to increase around 40% sequentially in the second quarter.

That concludes my report for this quarter. Thank you for your interest in Himax. We appreciate you joining today's call and are now ready to take questions.

OPERATOR TO QUEUE QUESTIONS

Jordan's closing remarks

As a final note, Eric Li, our Chief IR/PR Officer, will maintain investor marketing activities and continue to attend investor conferences. We will announce the details as they come about. Thank you and have a nice day!